

**Statement of Ron Obermoller, President, Minnesota Corn Growers  
Before the House Subcommittee on  
Department Operations, Oversight, Nutrition and Forestry  
March 15, 2004**

Good afternoon, I'm Ron Obermoller President of the Minnesota Corn Growers Association. I farm on a fourth generation farm about a hundred miles east of Rochester. My farm consists of 675 acres. Half of these are use for growing corn and the other half of the acres are devoted to soybeans each year.

Minnesota farmers have a problem because of location; we are at the end of all the major rail lines and 1000 miles from the port of New Orleans. This means the agriculture producers pay more freight on both the inputs to farm and outputs produced on these farms. One logical way to turn this into an advantage is to do the processing of the crops close to where they are grown to reduce freight costs. This helps to explain the success of ethanol in Minnesota. In our last promotion for ethanol in Minnesota we used the slogan "ETHANOL - FUEL THAT HELPS OUR ECONOMY GROW". The ethanol industry has helped revive the main streets of small towns in which they are located.

Though the use of new technology farmers continue to increase production of corn by 1.5 to 2 bushels per year. The added production tends to depress price to the point of price being below the cost of production. This added production needs to find a use locally or we will need to pay to ship the corn out of Minnesota. The ethanol program helped to address this major problem.

In 1980 Minnesota started with a \$.04 per gallon tax credit for a 10% blend. Through out the 1990's legislation continued to encourage ethanol production. By the year 2002 Minnesota used ethanol in 98% of the gasoline at the 10% level. Now we have 14 ethanol plants in Minnesota producing 400 million gallons per year. This is more than enough to supply all of the states needs and then some. Twelve of these plants are farmer owned. This means farmers supplied the capitol to build the plants and the corn to process for ethanol. When the local residents own the plant the profits stay within the small towns to grow the local communities.

Producer payments by the state helped the new industry to establish itself by helping to guarantee banks would loan money to build the plants (\$370 million), giving the farmers the confidence to invest (\$180 million) and helping the plants to profit while growing the industry. For every dollar the state invests in the ethanol industry it creates eight dollars of economic activity in Minnesota. The ethanol industry has created a market for 160 million bushels of corn in Minnesota or about 17% of the corn crop. At this time there are at least five new groups of farmers starting on new ethanol plants in Minnesota to start producing in the next two years. To make these plants successful we need to continue to grow the ethanol markets to provide opportunities for profit. One of the key elements for this continued growth is the Energy Bill/Renewable Fuel Standard. The increased ethanol production is projected to increase corn prices by **\$.16** per bushel. Consumption of corn for ethanol in the U.S. exceeded 1 billion bushels or about 10% in 2003. Not only is this a great way to increase corn usage, it also reduces Federal Farm Program payments by a projected **\$10.6 billion** over the next 10 years.

One of the arguments used over the years by oil companies to try to slow ethanol development was that it would increase the price of fuel at the gas pump to the consumers. But in reality it reduces the price of the blend by 5% or almost \$.07 per gallon. This is due to the exemption from federal excise taxes on ethanol blended motor fuels and because of the increased octane rating obtained by the 10% ethanol blend. A 5 billion gallon RFS could save consumers \$3.3 billion at the pump.

In Minnesota much of the success of our ethanol program has to be credited to a unique partnership between the Minnesota Corn Growers and the Minnesota branch of the American Lung Association. It is this partnership which has helped to educate the general public on the value of an ethanol program. Without first educating the public it would have not been possible to pass the legislation necessary to grow the industry. It is through this partnership which we continue to grow the E-85 program in Minnesota. There are near to 100 stations around Minnesota selling E-85 to the flex fuel vehicles. Each tank of E-85 sold represents 6 bushels of corn in that fuel tank. A year ago 1 million gallons of E-85 were sold and this year it has doubled to 2 million gallons. We look at E-85 as fuel of the future because of how clean it burns and it is the ideal fuel to use in fuel cells. Ethanol can be the bridge between the gasoline engine and the fuel cell car.

Ethanol is the fuel that helps our economy go. In Minnesota our rural communities have benefited from job creation for the next generation, a better tax base for rural Minnesota, reduced dependence on foreign oil, reduced fuel prices for consumers, reduced Farm Bill expenditures, and cleaner air. I would strongly urge you to work with your colleagues in Washington to pass an energy bill soon; one that includes the renewable fuels standard as originally agreed. Our country will benefit from the increased investment in renewable fuels, particularly ethanol and biodiesel, created by the RFS, just as Minnesota has received multiple benefits from its investment in ethanol over the last two decades.